

Message Text

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ACTION EB-07

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 9596

C O N F I D E N T I A L BANGKOK 0279

E.O. 11652: GDS

TAGS: ETRD,TH

SUBJ: DELINQUENT COTTON CONTRACTS

REF: A. STATE 000633

B. STATE 001935

1. THE FOREIGN TRADE DEPARTMENT OF THE MINISTRY OF COMMERCE HAS AGAIN CALLED IN ALL COMPANIES LISTED BY THE AMERICAN COTTON SHIPPERS ASSOCIATION AS DELINQUENT IN OPENING L/C S FOR COTTON. DEPARTMENT KNOWS NAMES U.S. SHIPPERS. RESULTS OF THESE DISCUSSIONS FOLLOW:

(A) K. COTTON AND GAUZE CON.- 1400 BALES. COMPANY IN SERIOUS FINANCIAL DIFFICULTY AND HAS REQUESTED INDEFINITE POSTPONEMENT OF ITS CONTRACTS.

(B) SIAM TEXTILE CO. - 1,000 BALES; IN FINANCIAL DIFFICULTY AND HAS REQUESTED POSTPONEMENT OF SHIPMENTS FOR INDEFINITE PERIOD.

(C) SOMBOON TEXTILE CO - 1,500 BALES; HAS REQUESTED INDEFINITE POSTPINEMENT SHIPMENTS. SOMBOON HAS 2,500 BALES OF COTTON IN STOCK AND HAS NOT YET STARTED SPINNING OPERATIONS. SEVERAL PIECES OFMACHINERY HAVE NOT ARRIVED AND THE PLANT WILL NOT OPEN BEFORE MAY 1975 AND
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POSSIBLY NOT BEFORE LATE 1975.

(D) THAI DURABLE TEXTILE CO. - 6,250 BALES; HAS OPENED L/CS FOR 1,000 BALES AND REQUESTED POSTPONEMENT OF REMAINING SHIPMENT FOR INDEFINITE TIME.

(E) THAI INDUSTRIES DEVELOPMENT CO.- 2,600 BALES; HAS REQUESTED POSTPONEMENT OF SHIPMENTS FOR INDEFINITE TIME.

(F) THAI KURABO CO - 600 BALES; HAS OPENED L/C S FOR THE ENTIRE QUANTITY AT THE CONTRACT PRICE.

(G) UNITED PACIFIC TEXTILE LTD- 866BALES; HAS REQUESTED POSTPONEMENT AND HAS ASKED THAT THE COTTON BE SHIPPED IN FOUR EQUAL AMOUNTS IN JUNE, JULY, AUGUST AND SEPTEMBER 1975.

(H) UNION KANEBE CO - 200 BALES, L/C S HAVE BEEN OPENED AT CONTRACT PRICE.

(I) UNION YARN - 500 BALES, L/C S HAVE BEEN OPENED AT CONTRACT PRICE.

2. THE USE OF ADDITIONAL CCC CREDIT, WAS AGAIN DISCUSSED IN CONSIDERABLE DETAIL WITH OFFICERS OF THE FOREIGN TRADE DEPARTMENT AND THEY WERE ASKED TO RE-EXAMINE POSSIBILITY OF USING THESE FACILITIES IN RESOLVING PROBLEM. MINISTRY OF COMMERCE HAS AGREED TO MEET WITH THAI COTTON MILLS IN ATTEMPT INDUCE THEM TO REQUEST CCC CREDITS. IF THIS APPEARS TO BE POSSIBLE SOLUTION MINISTRY WILL ASK EMBASSY TO FORWARD REQUEST TO WASHINGTON. MINISTRY OFFICIALS STATED THAT IF ADDITIONAL CCC CREDIT WERE AVAILABLE THE RTG WOULD ACCEPT IT ONLY IF THE MINISTRY OF COMMERCE WERE PERMITTED TO ALLOCATE THE FUNDS TO THE COMPANIES IN DEFAULT AND IN NEED OF CREDIT. THERE IS SOME DOUBT IN THE MINDS OF THE MINISTRY OFFICERS AS TO THE ABILITY OF SEVERAL OF THE COMPANIES TO GET BANK QUARANTEES TO COVER THE L/C S NEEDED FOR CCC CREDIT.

3. EMBASSY HAS ABSOLUTELY NO EVIDENCE ANY RTG OFFICIALS
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AGREEABLE TO MILLS DEFAULTING ON CONTRACTS. (PARA 6 REF B). ON CONTRARY, MINISTRY OF COMMERCE OFFICIALS ARE DEVOTING CONSIDERABLE EFFORT RESOLVE PROBLEM. UNFORTUNATELY, AS FOREIGN MINISTRY DIRECTOR GENERAL ECONOMIC AFFAIRS SAKON EMPHASIZED DURING LENGTHY DISCUSSION COTTON PROBLEM JANUARY 6 RTG CAN ONLY USE PERSUASION IN EFFORT INDUCE MILLS HONOR CONTRACTS. SAKON CONTENTED RTG EXPLAINING TO MILLS ESSENTIALITY LOOKING BEYOND PRESENT DIFFICULTIES TO ASSURE

SOURCES OF SUPPLY BUT HE WARNED SOME COMPANIES UNIMPRESSED RTG ARGUMENTS AND MIGHT GO BANKRUPTCY ROUTE IF PRESSED TOO HARD. SAKON ALSO INDICATED SHIPPERS COULD TAKE DELINQUENT TO COURT BUT THIS WAS COSTLY, TIME CONSUMING AND POSSIBLY UNREWARDING PROCESS. SAKON EMPHASIZED RTG AT HIGHEST LEVELS FULLY UNDERSTAND REASONS FOR USG CONCERN AND WOULD CONTINUE ITS EFFORTS BUT USG MUST UNDERSTAND REAL LIMITATIONS RTG' ABILITY INFLUENCE MILLS. SAKON TOOK ADVANTAGE THIS OPPORTUNITY CRITICIZE TEXTILE AGREEMENT WHICH RESTRICTS SALES THAI TEXTILES IN U.S.

4. AMBASSADOR MET JANUARY 6 WITH ANAN PANYARACHUN, THE THAI AMBASSADOR TO UNITED STATES. THE AMBASSADOR DISCUSSED THE STRONG PRESSURE THAT HE WAS UNDER FROM THE DEPARTMENT OF STATE, THE WHITE HOUSE, AND CONGRESS TO URGE THE FULFILLMENT ON THE PART OF THAI CONTRACTORS OF THEIR COTTON COMMITMENTS TO U.S. FIRMS. THE AMBASSADOR URGED ANAN TO BRIEF HIMSELF ON THIS PROBLEM, AND TO SEEK OUT SENATOR STENNIS ON HIS RETURN TO U.S. HE ALSO RECOMMENDED TO ANAN THAT HE EXPLORE POSSIBILITY OF OBTAINING U.S. CREDIT SO THAT THESE THAI FIRMS COULD FULFILL THEIR COMMITMENTS.

5. WE CONTINUE TO BE QUITE PESSIMISTIC THAT EMBASSY AND RTG CAN INFLUENCE MILLS HONOR CONTRACTS. VALIDITY CONTRACTS HAS NEVER BEEN QUESTIONED. THAI MILLS SEEKING RE-NEGOTIATE BECAUSE THEY KNOW CONTRACTS ARE BINDING. AT NO TIME HAS EMBASSY DISCUSSED RE- NEGOTIATION OR BETTER TERMS WITH RTG OR MILLS. WEHAVE NO AUTHORITY TO DO SO. THIS IS MATTER FOR SHIPPERS AGENTS AND MILLS TO WORK ON. NONE- THE LESS DEPARTMENT SHOULD INFORM SHIPPERS THAT IN EMBASSY JUDGEMENT INFLEXIBLE LINE MAY RESULT IN MILLS TAKING BANKRUPTCY ROUTE OR ENCOURAGE MILLS BUY TIME BY SITTING BACK AND AWAITING RESULTS FIRST COURT ACTIONS. SHIPPERS AND THEIR
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REPRESENTATIVES MUST ACTIVELY PARTICIPATE IN SEEKING RESOLUTION PROBLEM WHICH IN REALITY IS BEYOND LEGAL JURISDICTION TWO GOVERNMENTS.

6. FYI: INSENSITIVITY THAI MILLS MAY IN PART BE ATTRIBUTABLE IN THEIR ALLEGED UNPLEASANT EXPERIENCE WITH U.S. SHIPPERS DURING 1973-74 CROP YEAR WHEN U.S. PRICES ROSE RAPIDLY AFTER CONTRACTS SIGNED AT LOWER LEVELS. MANY MILLS BITTERLY RELATE U.S. SHIPPERS SENT SHORT WEIGHT BALES AND INFERIOR QUALITY COTTON DURING THIS PERIOD TO COMPENSATE FOR PRICE RISE. WHEN THAI MILLS COMPLAINED SHIPPERS SAID TAKE US TO ARBITRATOR. MILLS CONTEND TO RTG THEY DID NOT TAKE THIS ROUTE BECAUSE IMPORT TAXES PAID RTG COULD NOT BE RECOVERED EVEN IF THEY HAD WON. END FYI.

7. WE HAVE NO MAGIC SOLUTION THIS PROBLEM NOR ANY
RECOMMENDED SPECIFIC MEASURES TO ASSURE THERE WILL NOT BE
CONTRACT DEFAULTS. EVIDENTLY SOME MILLS ARE MEETING
OBLIGATIONS. WE WILL CONSULT WITH RTG AND REPORT ALL
DELINQUENTS.
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